

Proposed Waiver to Rollback the Proposition 204 Population

Background

- Arizona voters enacted Proposition 204 in 2000, which increased Medicaid eligibility for residents up to 100% of the Federal Poverty Level (FPL), including parents and childless adults. Prop 204 stated that this was to be paid for using the *tobacco litigation settlement money* and *available* funding.
- On January 1, 2009 there were 238,000 members enrolled in the Prop 204 expansion. As of January 1, 2011 this number had grown to 377,000.
 - Of this total, there are 123,220 parents and 226,173 childless adults.
 - In terms of American Indian members, there are approximately 10,441 American Indian parents and 27,360 American Indian childless adults and “spend down” members.
- In FY 2012, General Fund support for the Prop 204 population is estimated to be \$810 million.
- General Fund support for Medicaid has grown by almost 65%. The percentage of the General Fund dedicated to Medicaid has grown from 17% to 29%.

Health Care Reform Impact

- There are only 3 areas in the AHCCCS program to achieve cost savings:
 - Eligibility
 - Rates
 - Benefits
- Eligibility only place left with significant savings for AHCCCS program.
- Health Care Reform legislation has had a dramatic impact on Arizona. Congress made it extremely challenging for states by locking current eligibility levels under the Maintenance of Effort (MOE) requirements. The MOE requirements expressly prohibit states from making changes to eligibility upon the effective date of the legislation, which was March 23, 2010.

Proposal

- Specifically, the proposal seeks to do the following:
 - Maintain coverage for 30,000 aged, blind and disabled persons and 90,000 parents;
 - Eliminate coverage for 250,000 childless adults and individuals in what is known as the “spend down” population;
 - Cap TANF parents in the Prop 204 population at a level that can be supported by existing Tobacco Settlement and Tobacco Tax Prop. 204 Account Revenues. This is anticipated to impact approximately 30,000 parents.
- The Governor is pursuing dual track strategy:
 1. Waiver - The Maintenance of Effort provision has been placed into a section of the Health Care Reform legislation that is waivable. Pursuing Flexibility until January 1, 2014.

2. Legislative - Governor was one of 33 Governors to sign on letter for President and Congressional leadership seeking elimination of MOE requirement.
- To Date –
 - Governor has already discussed waiver with DHHS Secretary Sebelius
 - Governor in process of scheduling a face-to-face meeting with the Secretary
 - Governor is also looking to meet with Congressional leaders
 - Administrator of CMS has notified
 - Federal legislation was drafted by a Georgia Representative
 - The state legislation directing AHCCCS to apply for a federal waiver was enacted on January 20, 2011.
 - After tribal consultation occurs the proposed waiver request will be ready for submission.
 - If the waiver is granted, the Governor's budget includes a rollback of the Prop. 204 populations effective October 1, 2011. This rollback is expected to impact approximately 280,000 Arizonans.
 - The overall AHCCCS population would drop to level supported by the program on September 2007.
 - There is no set timeline with waiver process for CMS. However, the entire waiver is set to expire by October 1, 2011 so that provides a more firm date.
 - It is estimated that 5,200 Severely Mentally Ill (SMI) individuals fall into this category. However, many of them should be re-categorized under a different eligibility group. ADHS estimates that 80% of these individuals should retain coverage.
 - Arizona will lose an estimated \$1.1 billion in federal match in FY 2012. The rollback is expected to save the state a total of \$541.5 million in FY 2012.
 - In FY 2013, these changes will be in effect for one year, saving the state almost \$1 billion at a cost of \$1.9 million in federal match.

Mitigation

- To mitigate the impact of the rollback to the extent possible, the Governor's budget includes \$10.3 million for a prescription drug expansion for SMIs that are impacted by the rollback, thus including this population in the non-Title XIX population that currently is eligible for prescription drug medications at ADHS.
- The Executive has also included \$50 million, to be matched with \$101 million in federal dollars, for the creation of an uncompensated care pool for Arizona healthcare providers. This funding is intended to continue life-saving care for the most seriously ill patients to the greatest extent possible.